Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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ACTION EA-09

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C O N F I D E N T I A L BANGKOK 17918

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EA ONLY FOR HEGINBOTHAM AND FRITTS

EO 11652: GDS
TAGS: EFIN, TH
SUBJ: SIAM KRAFT CASE AND PRIME MINISTER THANIN

REF: (A) STATE 190145,S(B) STATE 189691, (C) STATE 184833

1. REFTELS CONVEY SOMEWHAT DIFFERENT PICTURE BOTH OF CURRENT STATUS OF SIAM KRAFT CASE AND PRIME MINISTER THANIN'S ROLE THAN THE ONE WE HAVE HERE.

2. IN HIS MEETING WITH DEPUTY SECRETARY CHRISTOPHER, THANIN CONVEYED THREE POINTS TO US AS FOLLOWS: (A) THE COURT'S JUDGMENT WOULD STAND, (B) HOWEVER, RTG DID NOT WISH TO DRIVE THE COMPANY INTO BANKRUPTCY AND WOULD NOT DO SO, AND (C) CONSEQUENTLY, THE COMPANY WOULD BE GIVEN TIME TO PAY THE FINE (BANGKOK 06236). THANIN DID NOT SPECIFY ANY FURTHER DETAILS.

3. IN FACT, COURT DECISION OF AUGUST 2 DOES CONFIRM TO POINTS MADE BY THANIN, IF JUST BARELY. THE COURT PROPOSED SCHEDULE IS ONEROUS, AND WE BELIEVE UNFAIR. (THE STRETCHOUT OVER SIX AND ONE-HALF YEARS IS HOWEVER UNPRECEDENTED ACCORDING TO COMPANY. PREVIOUS LONGEST TERM ALLOWED HAD BEEN TWO YEARS.) FURTHER,
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COMPANY LAWYERS ARE STILL NOT CERTAIN AS TO MEANING AND IMPLICATIONS OF DEMAND FOR BANK GUARANTEE. HOWEVER, THE COURT'S ACTION DOES PROVIDE BOTH THE TIME AND ROOM FOR FURTHER MANEUVER ON THE PART OF ITS CREDITORS AND US AS WELL AS IN ITSELF PARTIALLY ALLEVIATING THE HEAVY FINANCIAL BURDEN PUT ON THE COMPANY. (EXIM BANK ADVISOR HERE HAS TOLD EXIM THAT AFTER REVIEWING THE COURT DECISION OF THE COMPANY'S QUARTERLY FINANCIAL STATUS, IT

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COULD IF IT HAD TO, PAY FINE UNDER CURRENT SETTLEMENT WITHOUT GOING BANKRUPT. HOWEVER, THE COMPANY WOULD ENCOUNTER SIGNIFICANT CASH FLOW BURDENS IN THE EARLY 1980S WHICH COULD DELAY DESIRABLE CAPITAL OUTLAYS.)

4. FOR OUR PART, WE ARE CONTINUING TO WORK CLOSELY WITH THE COMPANY AND ITS CREDITORS IN TRYING TO SECURE FURTHER RELIEF. TO DATE THE COMPANY AND CREDITORS ON THE SCENE ARE CAUTIOUSLY HOPEFUL THAT SOME WAY WILL BE FOUND, POSSIBLY THROUGH ADMINISTRATIVE MEASURES GRANTING TAX RELIEF TO EASE THE PAYXENT BURDEN. HOWEVER, NONE OF US AT THIS POINT ARE CERTAIN EXACTLY HOW, OR IF, THIS WILL COME ABOUT. AND WE EXPECT THE RTG MAY WELL MOVE IN ITS PECULIARLY THAI WAY IN GRANTING FURTHER RELIEF, NOT IN THE NEAT, CLEAR FASHION WHICH WE WOULD PREFER. IT IS CLEAR THAT WE ARE NOT GOING TO BE ABLE TO WRITE A DETAILED SCENARIO FOR A FINAL SETTLEMENT ON OUR OWN TERMS IN ANY EVENT.

5. IN SUM, THE LIMITED SUCCESS WE HAVE HAD SO FAR IN STAVING OFF RIGID, IMMEDIATE IMPLEMENTATION OF THE COURT ORDERED FINE HAS BEEN DUE IN PART TO THE POSITIVE ATTITUDE OF THE PRIME MINISTER. CONSEQUENTLY, WE BELIEVE IT IS COUNTERPRODUCTIVE IN TERMS OF OUR LONGER TERM EFFORTS ON THI CASE TO ENGAGE IN EXCHANGES WITH THE RTG ON THE PRIME MINISTER AND HIS ROLE IN THE SETTLEMENT EFFORTS TO DATE. HE CAN ONLY BE EMBARRASSED AND WE MIGHT WELL FIND OURSELVES WORSE OFF IN OUR DEALINGS WITH THE RTG.
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